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SUBJECT: PM DJUKANOVIC, "NEW" GOVERNMENT CONFIRMED

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¶1. (SBU) SUMMARY: More than ten weeks after elections, Parliament has formally elected Milo Djukanovic as Prime Minister. This will be Djukanovic's sixth term as PM. As expected, his new "government of continuity" contains many holdovers, although there will be several new ministries and ministers. Former Serbia-Montenegro State Union president Svetozar Marovic has returned to government as DPM for Political Affairs (reftel). Djukanovic's program, presented to Parliament before the vote, contains few surprises: it continues the previous government's focus on coping with the global economic crisis and on pursuing membership in NATO and the EU. He stated that further rule of law reforms are essential, as are "better results" in fighting corruption and organized crime. END SUMMARY.

Djukanovic Elected For Sixth Term

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¶2. (U) Late on June 10, Parliament elected Democratic Party of Socialists (DPS) leader Milo Djukanovic as Prime Minister by a vote of 48 to 22. Three Albanian MPs abstained, and a number of mainly opposition deputies were absent. The outcome of the vote was never in doubt, as the DPS and its coalition partners -- the Social Democratic Party (SDP), Bosniak Party (BS), and Croat Civic Initiative (HGI) control 48 of Parliament's 81 seats; the Democratic Union of Albanians (DUA), which has returned a Minister to the GoM, also has one MP. Djukanovic becomes PM for the sixth time; he also served one term as President.

New Cabinet: Many Familiar Faces, A Few Changes

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¶3. (SBU) Djukanovic, who presented his Cabinet to Parliament on June 9, had promised voters that the new GoM would be a "government of continuity." Indeed, most ministers (including FM Rocen and MoD Vucinic) are returning. There will be few personnel and organizational changes, with the exception of the following:

--DPS Vice President (and former Serbia-Montenegro State Union President) Svetozar Marovic will leave his lucrative business in

Budva to become Deputy PM for Political Affairs. He will join DPM for "International Economic Cooperation, Structural Reforms, and Improvement of the Business Environment" (and Djukanovic favorite) Igor Luksic and DPM for Economic and Financial Policy Vujica Lazovic (from the SDP) at the DPM rank;

--Gordana Djurovic will lose her DPM title, but returns as Minister of the newly created Ministry for European Integration. (Note: Djurovic is the only woman in the Cabinet);

--The Ministry for Economic Development will be split into the Ministry of Economic Development, to be headed by newcomer Branko Vujovic (previous director of the GoM Agency for Economic Restructuring and Foreign Investment), and the new Ministry of Urban Planning, headed by Branimar Gvozdenovic (previous Minister for Economic Development);

--The Ministry Health, Labor, and Social Welfare will be split into the Ministry of Health, headed by previous Minister Miodrag Radunovic, and the new Ministry of Labor, headed by Suad Numanovic (Minister without Portfolio in the previous GoM);

--Rafet Husovic (president of the Bosniak Party) and Slavoljub Stijepovic (previously DPS Deputy Parliament Speaker) will be Ministers without Portfolio;

--DUA leader Ferhat Dinosa will replace party-mate Fuad Nimani as Minister for the Protection of Human and Minority Rights; and

--SDP Vice President (and former MP) Ivan Brajovic will replace Jusuf Kalamperovic (also from the SDP) as Minister of Interior.

New Program: Crisis Fighting and Euro-Atlantic Integration

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14. (U) On June 9, Djukanovic also presented his new government's program, focused largely on coping with the effects of the global economic crisis. He noted that his previous government had already taken action, for example, spending on infrastructure development projects (with the biggest to be the Bar-Bojare highway), assisting the unemployed, reducing business barriers, and cutting the budget deficit. He also promised to complete the privatization of Montenegro's remaining state companies within the new government's four-year term, and said he would strengthen Montenegro's legal system and "expand economic freedom." Djukanovic also noted that tourism and energy sector development remained priorities. He vowed to improve Montenegro's urban planning, environmental protection, and system for reporting statistics.

15. (U) Djukanovic stressed that the new GoM's strategic goals remain unchanged, particularly its desire for membership in the EU and NATO. He said that EU and NATO integration were compatible processes which would encourage Montenegro's economic and political development, and expressed the hope that public support for NATO could be raised. Djukanovic also promised that Montenegro would continue to contribute to regional stability. Djukanovic also emphasized the importance of institutional development for Montenegrin democracy and rule of law. He emphasized that further rule of law reforms were essential, as were "better results" in fighting corruption and organized crime.

Parliament Q&A

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¶16. (U) Opposition MPs followed the presentation with criticism of the new GoM's program as "superficial" and "more like a political pamphlet" than a serious plan for governing the country. According to one MP, "the only continuity about this government is broken promises." NOVA leader Andrija Mandic accused Djukanovic and the DPS of being "anti-Serb," and other parliamentarians (such as opposition leaders Srdjan Milic and Nebojsa Medojevic) questioned the PM's commitment to combating corruption and his ties to business elites.

¶17. (U) In his three-hour rebuttal on June 10, Djukanovic defended the previous GoM's record, which he said had increased prosperity and stability. He said that his business connections dated from his time out of government, but added that, "it is logical that those businessmen have government as a partner." Responding to criticism of his role in the GoM's December 2008 bailout of Prva Banka, whose largest shareholder is the PM's brother (the PM himself also owns a small stake), Djukanovic said the GoM needed to help the bank's "10,000 depositors." He also stressed that Serbs enjoy full rights under Montenegrin law, and defended Kosovo recognition, saying that it had not harmed Serbia's interests and had contributed to regional stability.

#### Deputy Speakers Elected Despite Opposition Boycott

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¶18. (SBU) In other developments on June 9, Parliament elected DPS member (and former PM) Zeljo Sturanovic and SDP VP Rifat Rastoder as Deputy Speakers. According to parliamentary regulations, the opposition also was supposed to get a Deputy Speaker position, but they refused to propose a candidate after the coalition declined their demand for four parliamentary committee chair positions. The coalition had offered two chairs, of human rights and budget and economic policy. (Note: DPS sources had originally insisted that SDP would not get a Deputy Speaker slot - in fact, arguments within the coalition over the positions delayed the initial session of Parliament in late April - but conceded in the end. DPS Political Director Predrag Sekulic told us recently that, "They (the SDP) always get what they want and more in the end.")

Comment

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¶19. (SBU) The new GoM's confirmation was long overdue, coming more than ten weeks after the March 29 parliamentary election and almost five weeks after President Vujanovic nominated Djukanovic as PM. Internal DPS politicking between Marovic on one side and Djukanovic and Luksic on the other was reportedly a major cause for the delay (reftel). An initial look at the new Cabinet suggests that Marovic not only failed to upstage Luksic, but failed to bring his allies into key economic ministries (as some observers had predicted). Gvozdenovic, who reportedly clashed in the past with Marovic over commercial development in the coastal town of Budva, is the new Minister of Urban Planning, and Vujovic, a strong Djukanovic loyalist, will head the Ministry for Economic Development. And for fans of

Montenegrin Kremlinology, the press made much of the fact that PM Djukanovic mentioned Luksic's name first when announcing his new Cabinet. Moreover, Marovic himself did not attend the session.

¶10. (SBU) Apart from this intrigue, the new GoM represents a continuation of essentially the same people and policies. However, the return of Marovic highlights the continued co-mingling of Montenegro's business and political elites, an issue that must be addressed as Montenegro pursues NATO and EU membership. It does not help Montenegro's image that Vujovic, though subsequently acquitted, was indicted on charges of improperly overseeing the privatization of Montenegro's former state oil company.  
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